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Suggestions for Improving the Present Mode of Keeping and Stating the National Accounts. By CHARLES JELlicoe, Esq., F.S.S.

[Read before the Statistical Section of the British Association, for the Advancement of Science, at Liverpool, 21st September, 1854.]

THE object of all account keeping is two-fold: viz., the determination of the status or condition of affairs at given epochs, and the record of the transactions which lead to changes in such condition from epoch to epoch.

A little consideration will show that, in the absence of information on either of those heads, our knowledge, in any given case, must be necessarily very imperfect, and that to arrive at a complete comprehension, it is indispensable that we should have full particulars as to both.

It is, therefore, somewhat remarkable that many of the great institutions of this country limit themselves to the publication of particulars comprised under one or the other only of the heads in question. Thus, the Bank of England and most of the joint stock banks give an account of their status at certain epochs, but leave the public quite in the dark as to the transactions which led to it. Many of the great assurance companies, on the other hand, do just the reverse of this; that is to say, they omit all mention of their status, and give merely the transactions which have intervened since the last account rendered to their constituents. But strange as these instances may appear, they are of little importance when contrasted with the singular and momentous irregularity prevailing in this respect in the Government departments. From the time that the accounts of the country were first made public, to the present day, no attempt has ever been made, so far as I am aware, to exhibit the actual state of its affairs at any given epoch; nor does it appear to be in the power of any functionary of the Government to say whether, when the liabilities and assets of the country are brought into comparison, it is on the whole in a solvent condition, or otherwise.

To some this may seem a question of small importance; they will perhaps consider that it is sufficient to know what the income of the country is, and how far it is adequate to meet its expenditure, and they are satisfied to measure its prosperity by the amount of the surplus of the one over the other.

But it may be shown that this is often a very delusive test, and that the omission of such an annual statement of assets and liabilities as that I am contending for is productive of many very serious evils; thus, to mention one or two only, the money expended in the purchase of national property, being blended with the ordinary expenses of the nation, is quite lost sight of with the year's accounts, and hence the property itself becomes equally lost sight of, and the check upon its due preservation or productiveness gone. Had moneys thus expended been always carried, as they ought to have been, to such heads as "crown lands," "public buildings," "dockyards," "arsenals," "military stores," "ships of war," "naval stores," &c., the annual accounts of the country would now exhibit a complete and unerring schedule of all the accumulated purchases made out of the public purse, and any neglect or improper alienation of them would thus scarcely fail to become apparent.

Another evil arising from the present system is, that the actual expenditure of the country often appears to be greater than it really is, and the surplus consequently less than it ought to be, and an unnecessary fluctuation in the annual expenses and resources is thereby introduced. But the more weighty ill consequence is, that there is no check upon the due bringing to account of all the revenues arising from such properties as may have been purchased; for since these last are never necessarily brought forward in succeeding annual statements, any revenues arising from them may easily be overlooked.

What is here contended for is nothing more than that which every merchant finds it essential to do in his own case, that he may be enabled to compare the state of affairs at one epoch with that existing at another, and thus be enabled to judge of the progress or retrogression of them.

It may be said that schedules of the national properties are kept in the proper departments of the State; but this is not sufficient to ensure the correct registration of them; nor is there any plan of doing so equal to that which a regular system of account-keeping can supply.

In the returns annually submitted to Parliament an account should be given, beginning with the balance for or against the country at the commencement of the year; it should then show the income and expenditure during the year, and terminate with the balance at the expiration of it. This balance should then correspond (and this is a very important point, since the correctness of the whole in a great measure depends upon it) with the difference between the assets and liabilities of the nation at the date of the account, and these assets and liabilities should of course be properly detailed. The following will serve to show the operation of such a system applied to the national affairs.

We will suppose the balance on the 5th of July, 1853, to be against the country to the extent of 659,000,000*l*. (and nothing can show more forcibly the defects of the existing system than that we are obliged to suppose it); the usual annual statement briefly detailed will then appear as follows:—

<i>Dr.</i> INCOME.			OUTGO. <i>Cr.</i>		
1854.			1853.		
July 5.	Schedule.	£	July 5.	Schedule.	£
Customs	<i>a</i> ...	18,503,838	Balance at this date		659,000,000
Excise	<i>b</i> ...	13,302,263	1854.		
Stamps	<i>c</i> ...	6,525,423	July 5.		
Taxes.....	<i>d</i> ...	3,167,145	Interest and manage- ment of Funded Debt	<i>i</i> ...	27,530,881
Property Tax.....	<i>e</i> ...	6,024,244	Interest on Exchequer Bills	<i>k</i> ...	403,652
Post-office.....	<i>f</i> ...	1,232,000	Civil List, Courts of Justice, &c.	<i>l</i> ...	2,554,254
Crown Lands.....	<i>g</i> ...	260,000	Army, Navy, Ord- nance, &c.....	<i>m</i> ...	20,303,724
Miscellaneous	<i>h</i> ...	132,895			
Balance carried forward		660,644,703			
		<u>£709,792,511</u>	1854.		<u>£709,792,511</u>
			July 5.		
			Balance at this date		660,644,703

We here perceive that the balance or surplus debt of the country, which, at the commencement of the year was 659,000,000*l.*, has, by the operations of the year, been increased to 660,644,703*l.*, and accordingly the public balance-sheet should exhibit that surplus, at the end of the year, of liabilities over assets. We may conceive it then to stand as follows:—

<i>Drs.</i> LIABILITIES.			ASSETS. <i>Crs.</i>		
1854.			1854.		
July 5.	Schedule.	£	July 5.	Sched.	£
Unredeemed	Funded	A 726,908,982	Value of Crown Lands....	E	20,000,000
Debt, Great Britain			„ Public Build- ings	F	20,000,000
Unredeemed	Funded	B 38,975,000	„ Dockyards	G	25,000,000
Debt, Ireland			„ Arsenals	H	25,000,000
Exchequer Bills	C	17,742,500	„ Military Stores	I	5,500,000
Miscellaneous liabilities* D		7,054,025	„ Ships of War	K	5,500,000
			„ Naval Stores	L	4,693,983
			Cash at sundry Banks	M	8,841,821
			Advances.....	N	8,500,000
			Income in arrear	O	7,000,000
			Balance, as above		660,644,703
		£790,680,507			£790,680,507

We thus see, by the former of these two statements, that the country, at the end of the financial year, was indebted in a certain amount, and, by the latter statement, we are informed in what manner this “indebtedness” arises. The one, it will be observed, contains nothing but income, which is really available, and expenditure, which is absolute and unproductive. The other serves to indicate any increase or decrease in the liabilities on the one hand, or the assets on the other. Thus, if some of the public income had been devoted to the purchase of property, or to advances for works, it will appear under those heads, and augment the assets of the country accordingly; or, should it have been applied in redemption of the national debt, a corresponding decrease in the liabilities will be shown. As it is, we have no such statement presented as the second one of the above, and in such cases as those we have supposed, the first does duty for both. We have consequently the absolute expenditure falsely augmented, whilst the increase in the property of the country, or diminution in its liabilities, is in this way wholly put in the background.

A remarkable instance of this latter description will necessarily occur in the accounts of the country for the current year; as is well known, the rate of interest upon the stock designated as the $3\frac{1}{4}$ per cent. annuities, is this year reduced from $3\frac{1}{4}$ to 3 per cent., and the liability of the country in respect of it is therefore evidently also reduced by one-thirteenth part of the whole; that is to say, that what

* The amounts here given are merely approximative; in the absence of any estimate of the value of the public property, accuracy in other respects would be useless.

The account of Income should give the gross receipts, and the expenses of collection, &c., would then appear *per contra*.

has been hitherto looked upon as a debt of about 248,000,000*l.*, is in a manner suddenly diminished by no less a sum than 19,000,000*l.*, or thereabouts, and yet not only does so important a fact not appear at all under the present system, but it would be positively impossible consistently to represent it.* In like manner the gradual diminution, from year to year, of the vast liability in respect of the terminable annuities certain, and the variation of that which exists on the score of the government life annuities, are neither known nor capable, in the existing state of things, of being systematically recorded.

In further support of these arguments, it may be stated that the introduction of the true system would almost enforce accuracy in all the details of the public finance. Of late years, and especially under the superintendence of the present accurately-informed and able Secretary of the Treasury, Mr. Wilson, these details are given fully and with great clearness,† but having little to connect them together, the greater portion form an “*indigesta moles*,” which will assume no shape without considerable labour, whilst any comparison to be derived from them between the actual state of affairs at one epoch and that at another is all but impracticable. The diligence and ability exercised in the preparation of these documents are thus in a great measure thrown away for want of proper arrangement and organization. But were the public accounts kept upon the system in question, statements such as those above given might be placed first in order in the usual return presented to Parliament, and each item in them have reference to a schedule in which such particulars as those now furnished by the return might be set forth. The two statements would thus, whilst they gave a complete and succinct view of the affairs of the country, form an index to every variety of detail respecting them—an index, it must be remembered, not of a merely arbitrary or factitious character, but one which, from its peculiar nature, must inevitably embrace every item of the public income and expenditure, and every particle, be it ever so minute, of the national property.

The determination of the actual worth of this property would no doubt in the first instance be attended with some difficulty. In time, however, simple methods would, we may reasonably suppose, be devised, by which such a determination might be arrived at with sufficient nearness to the truth for all practical purposes, and occasional revisions would ensure still greater accuracy. But it is especially to be borne in mind that were it not so, and were the approximations made from time to time to the value of the national property ever so loose, the great object in view would still be attained, and it would assuredly be found that the mere establishment of the proposed system would tend more than anything else to remedy ultimately not only existing evils but any disorders of a financial kind which for a time might seek to shelter themselves under it.

* With such an account as that on the preceding page this would immediately appear. Thus the funded debt would be 19,000,000*l.* less, and the balance against the country diminished by the like sum.

† See *Parl. Return, Finance Accounts*, No. 275.
